



Property Tax Newsletter

News and developments

A publication of the Property Tax Division

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Tax Commissioner

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2007 Legislative Session Begins January 3

The 2007 North Dakota Legislative Assembly will convene January 3rd. We expect several bills affecting property taxation will be introduced.

The Property Tax Division will monitor the hearing schedules, and Property Tax personnel will attend the hearings. We will notify assessment officials of important issues. All assessment and government officials should track legislation of interest to them. If there are issues you feel strongly about, try to be present to testify at the legislative hearings. If that is not possible, at least contact the legislators in your district by telephone, letter or email to inform them of your thoughts.

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Responsibility for Assessments

The assessor is the official charged with the responsibility of listing and valuing all real property for taxation purposes each year. The assessor completes the assessment list and submits it to the local board of equalization for its review and approval. Members of the township and city boards of equalization are responsible for reviewing the work completed by the assessor.

During the meetings of the township and city boards of equalization, members should verify that all property subject to taxation is included on the assessment list and that values listed represent true and full value according to the statute. Residential and commercial property values should represent current market value and agricultural property values should represent agricultural value. If any property should be included on the assessment list and is not, the township and city boards should order the property to be added before approving the assessment list.

When a property owner appeals an assessment, board members should ask the property owner and the assessor questions for purposes of obtaining pertinent information. Board members should examine all of the facts before making any decision to change an assessment determined by the assessor.

County boards of equalization are charged with the responsibility of reviewing assessments finalized by the various township and city boards of equalization within the county, and ensuring that property valuations are equalized among similar properties throughout the county. A property owner may bypass the local (township or city) board of equalization and appeal an assessment directly to the county board of equalization. County boards of equalization do not have statutory authority to add omitted property to the assessment list. If a property was not assessed for the current year but should be, the board should direct the county auditor to correct the assessment list according to the provisions of North Dakota Century Code (N. D.C.C.) § 57-14-01 through § 57-14-07. An example of this procedure follows.



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A township assessor determines that a rural residence should be assessed and enters a value for it on the assessment list. The owner appeals to the township board of equalization and the board orders removal of the assessment. The assessor and tax director consider the assessment justified and bring the situation to the attention of the county board of equalization in June. Because the county board of equalization does not have authority to add the assessment to the list, the board should direct the county auditor to follow the procedures set out in N.D.C.C. § 57-14-01 through § 57-14-07 to assess the property for the current year and any year for which it should have been assessed and was not.

If the value of an individual property is listed incorrectly in the assessment list because of a clerical error or because an owner or property was erroneously given a homestead credit or property tax exemption, the county auditor should correct the assessment list according to the same statutory provisions.

If you have any questions on the provisions of N.D.C.C. § 57-14-01 through § 57-14-07, please contact the Property Tax Division. 


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Calculation of Change to Agricultural Land Values

County directors of tax equalization received a certification of the average agricultural values for their counties for the 2007 assessment year. Tax directors need to determine the percentage of change necessary to bring the county average value into compliance.

Tax directors need two figures: the county average value of all agricultural land certified by the North Dakota Tax Commissioner for the 2007 assessment, and the 2006 county average value of all agricultural land as finalized by the State Board of Equalization in September 2006. Do not use the 2006 certified average agricultural land value. Be sure to use the 2006 finalized average agricultural land value for the entire county, not a particular township or city.

The calculation is as follows: subtract the 2006 county average value of all agricultural land in the county as finalized by the State Board of Equalization from the 2007 average value of all agricultural land in the county as certified by the Tax Commissioner. Divide the difference by the finalized 2006 average value. Convert that decimal amount to a percentage.


That is the percentage change (increase or decrease) required to bring the 2006 finalized county average agricultural land value to the target value for 2007. Tax directors and the board of county commissioners must decide whether they want the 2007 average agricultural land value for the county to represent the target value or something more or less. Although the State Board of Equalization has allowed plus or minus five percent tolerance in the past, the State Supervisor of Assessments recommends counties determine the average value at close to 100 percent of the target value. Counties that calculate the average value at only 95 percent of the target value will need a large increase next year if another increase is indicated. 

Sales Ratio Procedures Explained

The purpose of the Sales Ratio Study is to provide a tool for assessment officials and boards of equalization to evaluate and measure real property assessments. The Property Tax Division has become aware of certain practices which need some clarification and change.

Property owners sometimes transfer ownership of a portion of a parcel assessed as a whole unit. When a deed is filed in the Office of the County Recorder for the transaction, assessment officials have to complete a Schedule Bx for purposes of the Sales Ratio Study. The assessment official will have to determine a value for the divided parcels for the next assessment period anyway. If that value would also represent the parcel's true and full value for the year of the sales transaction, list that value as the assessor's value for that particular legal description on line 18 of Schedule Bx. If the assessment official is unable to determine an appropriate value for the acreage deeded, list the sales transaction as "not usable" on line 22 of Schedule Bx and include an explanation why the transaction is not usable for the Sales Ratio Study on the back.

We are aware that some assessment officials have excluded certain sales transactions from the Study. One example consists of transactions in which residential property owners sell or deed their property and move into an assisted living facility or nursing home. Even though those individuals most likely did not want to go to an assisted living facility or nursing home, that does not mean those transactions are automatically considered forced sales that can be excluded from the study. If those properties are advertised in the open market and the transactions otherwise meet the definition of market value, the sales transactions are considered usable for the Study. Another misconception regarding the Sales Ratio Study pertains to sales of vacant land. The fact that land is vacant is not a valid reason to challenge the sales transactions or exclude vacant land sales from the study. There are many valid sales of vacant land and those should be included in the Study. The 2007 Sales Ratio Study must include sales of vacant land. This has been brought to the attention of the State Board of Equalization.

Judy Brosz encourages city assessors and county directors of tax equalization to send sales ratio information to her electronically. It takes less time to complete the work because you enter information only once and complete Bx forms only for sales transactions that are not usable. For more information, contact Judy by calling 701.328.3142 or email her at jbrosz@nd.gov. 

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Property Tax Exemptions in Renaissance Zones

North Dakota Century Code ch. 40-63 allows cities to apply to the North Dakota Department of Commerce, Division of Community Services (DCS), for designation of specific areas as renaissance zones. According to the Department of Commerce, the legislative intent is to provide for significant improvements to property within the designated zones.

Qualifying residential and commercial buildings are eligible for partial or complete property tax exemption for a maximum of five taxable years. Each project must be approved by DCS. The five-year exemption starts when local and DCS requirements have been met.

For more information regarding renaissance zone projects, contact the North Dakota Department of Commerce, Division of Community Services at www.nd.gov/dcs or call 701.328.5300. 


Education Calendar

The opportunity to have an instructor present a commercial appraisal course including application of all three approaches to value has caused us to revise the 2007 education schedule as follows:

Please note the change of dates for the fall class. Classes scheduled beyond 2007 are listed below:

May 12 – 16, 2008	202	Agricultural Land Valuation
Nov. 10 – 14, 2008	102	Principles & Theory of Value
May 11 – 15, 2009	303	Teaching Appraisal Techniques
Nov. 9 – 13, 2009	201	Appraisal of Residential Property

The North Dakota Association of Assessing Officers will sponsor education during a winter workshop scheduled March 1-2, 2007, in Bismarck. Topics include:

- Gravel pit assessment issues
- Manufactured housing assessment
- Assessment abstract
- Exemptions & homestead credit
- Cameras and digital equipment
- Low income tax credit housing projects
- Renaissance zone assessment issues
- Meeting preparation
- Current legislative issues 


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Notice of Increase in Assessments

Assessment officials not only dread the time when property tax statements are mailed, they also dread having to mail notices of increased assessment to property owners.

North Dakota Century Code § 57-12-09 requires assessors to mail a notice of increase to the property owner whenever the assessor increases the current assessment of any property by 15 percent and \$3,000 in true and full value over the last assessment. An increase in assessment may be made for any of several reasons. It is usually due to an increase in market activity for residential and commercial property, or because of new construction or remodeling to structures and improvements.

This office obtained a copy of a notice of increase sent by an assessor to a property owner. The assessor listed the following reason on the notice of increase: "assessment adjusted to reflect the asking price." This is an invalid reason to increase an assessment.

When property owners list their property for sale, the asking price usually reflects the upper end of market value, not the most probable price that a typical buyer will pay for a property. Assessors may use asking prices for property as indications of market value, but must recognize those asking prices are probably high. Before assessors use asking prices to support assessments, the asking prices should be corroborated by substantial market data. Assessors should use valid, recent actual sales of property to indicate the value of similar properties that have not sold. 

Fair and Equitable Assessments Required

North Dakota law requires assessors and boards of equalization to ensure equitable valuation of all real property at true and full value and ensure fair taxation for property owners.

With access to assessment and property information by means of office records and web sites, the public is becoming more knowledgeable about property characteristics and valuations. Owners compare the assessments of their properties with those of their neighbors, whether it is residential property (including lakeshore), commercial property (including vacant land) or agricultural land. Owners of and investors in commercial and industrial property know their construction costs and may even compare market values of those properties with others in neighboring states. Owners of agricultural land compare the assessments of their property with those of their neighbors.


Assessors and governing boards have a responsibility to examine the market conditions of residential and commercial property in their jurisdictions and for the county as a whole. Assessors should use valid sales of property as indications of market value of similar properties that have not sold. Assessors and boards of equalization should use the statistics provided in the Sales Ratio Study to evaluate whether residential and commercial property assessments represent current market value and are equalized.

Assessment officials have generally done a good job of determining assessments of residential and commercial property that represent, on average, 95 to 105 percent of current market value. The Tax Commissioner encourages assessment officials also to look at other statistics in the Sales Ratio Study and what they indicate about assessments. The price-related differential (PRD) is a statistic that indicates assessment regressivity or progressivity. When assessments are not reviewed and changed often enough to reflect current market value, statistics will indicate either progressive or regressive assessments. Typically, older and smaller buildings end up being over assessed compared to newer and larger buildings. A PRD between 0.98 and 1.03 indicates assessments are within an acceptable range. The coefficient of dispersion (COD) indicates uniformity of assessments – how closely assessment sales ratios cluster around the median (average) ratio. Low COD's (15.0 or less) tend to indicate good appraisal uniformity. As part of the 2007 process of equalizing assessments, the State Board of Equalization will be looking at not only the median ratio but also the price-related differential (PRD) and the coefficient of dispersion (COD). Assessment officials need to look at these statistics from the 2006 Sales Ratio Study and make changes to the 2007 assessments, if needed.

The Tax Commissioner encourages counties that are not yet using the Detailed Soils Survey for agricultural land valuation to set a goal to do so as soon as reasonably possible. The Tax Commissioner and Property Tax Division personnel receive calls from property owners who have not been provided with an adequate explanation of the agricultural land values on the parcels they own. Some agricultural land valuation schedules were set up many years ago, and current assessment officials have no record of how values were allocated or determined. This is not fair to either taxpayers or the taxing entities.

To obtain property tax relief, some property owners appeal their assessments to the courts. Court appeals are expensive, not only for the property owners, but also for counties that must defend the actions of their officials. When appellants are successful in getting reduced valuations, affected political subdivisions have no way to make up the lost property tax revenue. It is very important to have assessments that reasonably reflect current market value.

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Assessment officials and equalization boards that use sales information for estimating current market value of residential and commercial property, and those that use the Detailed Soils Survey to implement agricultural land values, have the best assessments and receive fewer complaints and appeals from property owners. Do not wait for the North Dakota Legislature to enact requirements. Do not wait for property owners to complain. Set a goal for 2007 that assessments of all residential and commercial property will represent current market value. Counties not yet using the Detailed Soils Survey to determine agricultural land values should set another goal of moving closer to implementation of the Detailed Soils Survey during 2007. 

Electronic Newsletter

This newsletter is available free of charge on our web site at www.nd.gov/tax or in hard copy. We offer an e-mail notification service to subscribers as soon as a new issue is placed on our web site. To join the e-mail service, simply visit our web site and click on "Newsletters Subscription" located in the top blue bar at the right side of our home page.